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1954 OUTLOOK ISSUE
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THE *Demand and Price* SITUATION

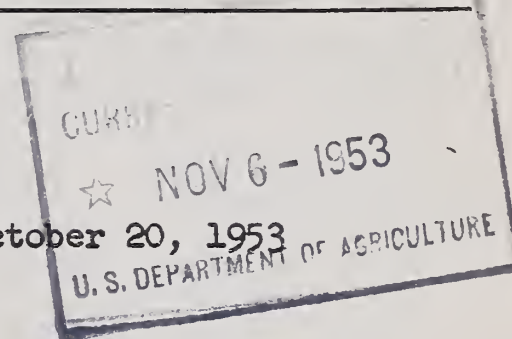
BUREAU OF AGRICULTURAL ECONOMICS
UNITED STATES DEPARTMENT OF AGRICULTURE

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THE AGRICULTURAL OUTLOOK FOR 1954

No marked change in the domestic demand for food and other agricultural products appears likely in 1954 as compared with the current year. Also, foreign takings of United States farm products, while sharply reduced in the 1952-53 season from other recent years, appear to be at a level sustainable over the next year or so. Supplies of most farm products are expected to continue large in 1954. Carryover stocks may increase further by the end of the current marketing year, but a large part will be held by the Government. Acreage restrictions are likely to bring smaller wheat and cotton crops in 1954 and price support programs will continue to cushion the impact of large supplies on farm prices. With prospective conditions of demand and supply for farm products in 1954 approximately the same as in 1953, the average of prices received by farmers may hold near current levels. With cost rates to farmers stabilizing, the cost-price squeeze in agriculture is not likely to be intensified significantly in 1954.

Cash receipts from farm marketings in 1954 are not likely to equal the 31.2 billions received this year, partly because of the prospective reduction in the wheat and cotton crops. Production costs, which were slightly reduced in 1953, may show some further decline in 1954 as farmers adjust operations to lower output of some commodities and try to ease the burden of high costs. As a result, farm operators' realized net income may be fairly close to the 1953 level of 12.5 billion dollars.

The general economic outlook for 1954 is good even though there may be some easing from the current exceptional rate of activity. Since the outbreak of war in Korea in mid-1950, demands on the economy have increased steadily by the Federal Government for national defense; by State and local governments for schools, highways, and other public construction; by business for new plant and equipment, part of which was associated with the defense program, and by consumers for the goods and services to provide the rising standard of living made possible by increasing incomes. The economy has become geared to high production and in 1953 has met the combined demands without significant pressures on the Nation's resources or on prices in general.

ECONOMIC FACTORS AFFECTING AGRICULTURE

Item	Unit or base period	1952		1953			
		Year	Sept.	June	July	Aug.	Sept.
Industrial production <u>1/</u>							
Total	1935-39=100:	219	228	240	232	236	p 234
All manufactures	do.	230	237	253	244	248	p 246
Durable goods	do.	280	290	320	311	311	p 307
Nondurable goods	do.	189	194	198	191	197	p 197
Minerals	do.	160	175	169	165	170	p 168
Construction activity <u>1/</u> #							
Contracts, total	1947-49=100:	183	207	169	172	205	
Contracts, residential	do.	181	191	174	175	184	
Wholesale prices <u>2/</u> #							
All commodities	1947-49=100:	112	112	110	111	111	111
All commodities except farm and food	do.	113	113	114	115	115	115
Farm products	do.	107	107	95	98	96	98
Processed foods	do.	109	110	103	106	105	106
Prices received and paid by farmers <u>3/</u>							
Prices received, all products...	1910-14=100:	288	288	259	259	258	256
Prices paid, interest, taxes, and wage rates	do.	287	286	277	279	279	277
Parity ratio		100	101	94	93	92	92
Consumers' price <u>2/</u> <u>4/</u> #							
Total	1947-49=100:	114	114	114	115	115	
Food	do.	115	115	114	114	114	
Income							
Nonagricultural payments <u>5/</u> ...	Bill. dol.	249.9	255.7	268.8	270.6	270.3	
Production worker pay rolls <u>2/</u> #.	1947-49=100:	135.3	143.3	150.7	149.0	p 151.3	
Weekly earnings of production workers <u>2/</u> #							
All manufacturing	Dollars	67.97	69.63	71.63	71.51	71.69	
Durable goods	do.	73.04	75.42	77.42	76.89	77.27	
Nondurable goods	do.	60.98	62.06	63.36	63.76	63.92	
Employment							
Total civilian <u>6/</u>	Millions	61.3	62.3	63.2	63.1	63.4	62.3
Nonagricultural <u>6/</u>	do.	54.5	54.7	55.2	55.5	56.1	55.0
Agricultural <u>6/</u>	do.	6.8	7.5	7.9	7.6	7.3	7.3
Government finance (Federal) <u>7/</u>	Million						
Income, cash operating	dollars	5,950	6,898	10,185	3,615		
Outgo, cash operating	do.	6,082	6,066	7,932	6,001		
Net cash operating income or outgo	do.	-132	832	2,253	-2,386		

Annual data for the years 1929, 1932 and 1935-52 appear on page 26 of the April 1953 issue of the Demand and Price Situation.

1/ Federal Reserve Board. Construction activity revised to 1947-49 base. 2/ U. S. Department of Labor, Bureau of Labor Statistics. 3/ U. S. Department of Agriculture, Bureau of Agricultural Economics; to convert prices received and prices paid, interest, taxes, and wage rates to the 1935-39 base, multiply by .93110 and .79872 respectively. 4/ Index of change in prices of goods and services purchased by city wage-earner and clerical-worker families to maintain their level of living. 5/ U. S. Department of Commerce revised figures, seasonally adjusted at annual rates. 6/ U. S. Department of Commerce, Bureau of the Census. 7/ U. S. Department of Treasury. Data for 1952 are on average monthly basis.

Revised series. p= Preliminary.

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Based on present information, demands from some segments of the economy may well be somewhat less next year than in 1953. But it should be clearly noted that such easing in the economy as may develop in 1954 appears to be relatively small. Even with some decline in economic activity, consumer incomes available for spending in 1954 are not likely to be much different than in 1953. The prospective reduction in income taxes scheduled for January 1 will add appreciably to spendable income. Some further increase in wage rates is also likely in some industries and unemployment compensation would tend to limit the effect of reduced payrolls if unemployment should develop. As a result, consumer buying in 1954 is expected to hold up well even though purchases of some consumer durable goods may decline somewhat from rates in the first half of 1953. Consumer demand for food should remain fairly close to that of 1953. However, with marketing charges continuing high, the farmer's share of the consumer food dollar may continue near the present low level.

Spending for defense purposes, while continuing high, may not be quite as large in the current fiscal year as in 1952-53, according to the latest budget estimates released on August 27. Expenditures on goods and services for national security in the third quarter of 1953 are estimated at 51.5 billion dollars (annual rate) compared with 53.5 billion in the previous quarter and 49.2 billion in the third quarter of 1952. Whether or not a slow downtrend in defense outlays materializes and whether it continues in the next fiscal year depends largely on developments in the foreign situation. Even if prospective reductions are realized, defense spending in 1954 will be only slightly under 1953. Such a reduction in national security spending could well be offset by further increases in State and local outlays for public facilities which have been rising at the rate of about $1\frac{1}{2}$ billion dollars annually in recent years.

Some evidence now available indicates that business demand for new capital may be somewhat less in 1954. Investment in new plant and equipment has been at record levels since the Korean outbreak and has added

appreciably to the productive capacity of industry. In the first 9 months of 1953, such business outlays totaled 8 percent larger than in the same period in 1952. However, anticipated capital expenditures for the fourth quarter, as reported to government agencies, are 5 percent below the third quarter rate, after seasonal adjustment, with moderate declines indicated in all major industry groups except mining and the "commercial and other" group which includes such industries as trade, service, finance, communication and construction. Much of the defense related expansion program is likely to be complete by the end of the year. However, modernization and expansion of productive facilities probably will continue in many industries, particularly if economic activity and consumer incomes are fairly well maintained. Business depreciation reserves and retained earnings, which have provided a major part of capital expansion funds in recent years, are likely to continue large in 1954.

Construction activity through September this year was at a record rate, 7.5 percent above the same period of 1952. Much of this increase reflected the big gain in commercial construction (particularly stores, restaurants, and garages) and in religious, educational and recreational building. These types of construction are expected to continue high in coming months. Outlays for residential building, a major part of the total, are also up from last year. Private housing starts declined from February to August but total starts for the first 9 months of 1953 are about the same as a year earlier. Needs for housing will continue large in 1954 to take care of the growth in new family units and to replace some existing housing. If there are no marked changes in financing terms and incomes are fairly well maintained, only a moderate decline in new home building is likely over the next year.

While foreign demand for United States farm products receded substantially in the 1952-53 season from a year earlier, there is little indication of a further weakening in the current season. Gold and dollar exchange held by foreigners rose 11 percent from mid-1952 to mid-1953. Sterling area holdings in London rose 40 percent. Japanese holdings were up nearly 21 percent and Western Europe's were 9 percent larger. Prospects for a somewhat smaller foreign output of cotton in the 1953-54 production year and consumption at least equal that in 1952-53, suggest a slight improvement in foreign demand for United States cotton. Stocks of United States tobacco in several European countries are low relative to consumption. With the generally improved dollar position of some major importing countries, exports of tobacco in 1953-54 may be about the same as or perhaps larger than in 1952-53. Exports of tallow and grease are expected to continue high and some increase is in prospect for takings of food fats and oils from the reduced rate in the first half of 1953. With a large production of wheat in major exporting and importing countries, exports will likely fall below the 317 million bushels reported for 1952-53. The International Wheat Agreement will provide an outlet for a substantial amount of U. S. wheat.

Supplies of most farm products are expected to continue large in 1954 and carryover stocks of some commodities may increase further. The indicated supply of feed concentrates for the 1953-54 feeding year is a little above last year and 6 percent above the 1946-50 average. But slightly fewer grain-consuming animal units are in prospect and the estimated feed supply per animal unit is a little larger than in the 1952-53 feeding year.

Cotton production, indicated at 15.4 million running bales, the carryover of 5.5 million bales and small imports will provide a relatively large supply of 21 million bales for the 1953-54 marketing year. The wheat crop is estimated at 1,163 million bushels, and with a carryover of 559 million bushels, a record wheat supply of more than 1,700 million bushels is indicated for the 1953-54 marketing year. Carryover stocks of both wheat and cotton may be increased further during the year. Continued large supplies of edible fats and oils are in prospect.

Crop production in 1954 is likely to be somewhat smaller than in 1953 as a result of acreage restrictions for wheat, corn and for cotton unless cotton growers disapprove marketing quotas. However, part of the acreage diverted from these crops may be used to increase output of small grains, hay, and oil-bearing crops. Little change is in prospect for supplies of livestock and livestock products in 1954. Cattle slaughter has been at record rates so far this year and probably will continue large in 1954. A smaller spring pig crop and prospects for a small fall pig crop this year point to reduced marketings of hogs this fall and in the first half of 1954 compared with a year earlier. Output of milk and eggs in 1954 may be little different than production this year.

Prices received by farmers on the average may be not much below 1953. A large part of the stocks carried over at the beginning of the 1954 crop year will be held by the Commodity Credit Corporation. Price support programs for basic commodities--wheat, corn, cotton, peanuts, some types of tobacco, and rice--will continue at 90 percent of parity for the 1954 crops unless marketing quotas for individual crops are disapproved. The support levels for oats, barley, rye, and grain sorghums will be continued at 85 percent of parity, but actual support prices will be a little lower except for rye which will be the same. The price support for flaxseed will be at 70 percent of the mid-September parity price, compared with 80 percent of parity for the 1953 crop. Support levels for other commodities have not yet been announced. Unless drought forces liquidation of herds, cattle prices may continue relatively stable, close to current levels. Current indications suggest that marketings of hogs and eggs are not likely to be increased significantly in 1954. Price prospects for these commodities are fairly favorable in 1954.

Farm production costs were reduced slightly in 1953 and may decline further in 1954. The index of prices paid by farmers including interest, taxes, and wage rates held relatively stable in the first nine months of 1953, but at levels about 3 percent below 1952. Most of the decline from last year was due to lower prices for feed and feeder livestock. Prices of these major items are not likely to change much from current reduced levels. Prices of industrial products purchased by farmers have stabilized in recent months and probably will change very little in 1954. However, price concessions are likely to be more general than in 1953, especially for those commodities produced primarily for the farm market. Wage payments will continue at about 1953 levels but interest and taxes are expected to be moderately higher. During the past year the greater decline in prices received than in prices paid by farmers dropped the parity ratio to 92 in mid-September compared with 101 a year earlier and the 113 in February 1951 when prices received were at a peak.

Commodity Highlights

A continued large slaughter but more price stability for cattle is in prospect for 1954. Hog production will increase next year with some lowering in prices in the fall as hogs from the larger spring pig crop come to market. Prices of lambs are not likely to change much, and may remain slightly above an average relationship to cattle prices. Retail prices for dairy products have declined only slightly in the past 12 months, while prices received by farmers for milk and butterfat have dropped 13 percent. Prices received by farmers will be influenced largely by the level at which dairy prices are supported in the marketing year which begins April 1, 1954. The farm value of 1953 egg and poultry production will be a record high. If consumer demand holds up as expected, 1954 might almost repeat the 1953 pattern for poultry products. CCC held a large proportion of total stocks of food fats and oils at the beginning of the 1953-54 marketing year, and prices of food fats will be well maintained in 1953-54. Feed grain prices are substantially lower at the beginning of the 1953-54 feeding season than a year earlier, and probably will continue somewhat lower this fall and winter. However, some strengthening from the low point reached this fall may be expected later in the season. Movement of wheat under loan from the above-average 1953 crop is expected to continue large. A smaller wheat acreage in 1954 than in most recent years is in prospect as a result of marketing quotas. With average weather, production of deciduous and citrus fruit in 1954 probably would be somewhat larger. Little change in demand for fruit is expected in 1954. There is no room for an immediate expansion in production of vegetables in 1954 to provide an outlet for acreage that may be diverted from other crops. Current prospects for production of vegetables for commercial processing this year indicate that the 1953 packs together with carryover stocks from earlier packs will in general provide adequate supplies. Prices received by farmers for potatoes in mid-September were 65 percent below those of a year earlier. Smaller total supplies of dry beans may result in higher prices and smaller foreign takings in 1953-54. The 1953 crop of dry peas is 28 percent larger than in 1952, but continued firm demand probably will sustain prices received by farmers at levels only moderately lower than for the 1952 crop. Market prices for cotton have been below the CCC loan rate. Entries into the loan so far from the 1953 crop have been more rapid than a year earlier, and by August 1, 1954 CCC holdings are expected to increase to 5 million bales. Wool prices generally may hold relatively stable until the end of the current selling season in Australia next June, if the international situation does not change significantly. The average of prices received by domestic producers for the 1954 clip probably will not be greatly different from this year. Domestic use of flue-cured and Burley tobacco, the principal cigarette types, was above any previous year in 1952-53 and may be larger in 1953-54. Demand for flue-cured has been strong, and through early October, the average price received was about 8 percent above the same period of last year.

GENERAL ECONOMIC ACTIVITY

Economic activity continued at near record rates in the third quarter. Employment was high and personal incomes and consumer purchases rose further. The gross product of the economy was valued at an annual rate of 371 billion dollars, 7 percent above a year earlier. Business investment outlays and construction activity continued at a high rate, but Government expenditures for national security programs declined a little from the second quarter. A decline in industrial output in the third quarter was partly due to the seasonal summer dip. However, with an easing in some durable goods industries, estimated output in September was down nearly 4 percent from the peak rate.

The substantial expansion in expenditures since last year was approximately matched by increased output and prices held relatively stable. Industrial output was at such a high rate that stocks, particularly of durable goods, accumulated rapidly during the first half of 1953 even though total business sales continued high. Production of some durable goods has been reduced recently, particularly the major household appliances, and durable manufacturers' order backlogs for durables have declined.

Government demands on the economy will continue high but they may be down slightly from recent record rates. Large inventories, easing in sales of some products, and reduced production of durables may dampen the demand for some capital expansion programs. Consumer incomes and outlays for nondurable goods and services are expected to hold up well. But reductions from the high rates of output in the first half of this year are in prospect for a number of durable goods.

Government Demand High;
May Taper off Slightly

Expanded Government demands have been a major factor in the growth of both business investment and the productive capacity of the economy since 1950. Expenditures for goods and services by Federal, State and local governments were at a record rate of 83.5 billion dollars in the second quarter, 6 billion above a year earlier, and more than double the pre-Korean rate. Spending by State and local governments, at a rate of nearly 25 billion in mid-1953, was up about 1½ billion from a year earlier and some 5 billion from mid-1950.

Government demands for national security programs--mainly Defense Department, foreign military and economic aid, and atomic energy development--will continue large in the coming year. However, security outlays eased off a little in the third quarter to a rate of 51.5 billion dollars, and if the international situation permits, may taper off slightly in the coming year. But an increase in outlays by State and local governments would be an offsetting factor.

The Budget Review and
Expenditures in 1953-54

The budget review for 1953-54, released in late August, indicates a decline in Federal appropriations and other authorizations to spend (new obligational authority) of 17 billion dollars from fiscal 1953 to 63.2 billion for fiscal 1954. However, there was a carryover of unexpended balances into the current fiscal year of some 81 billion dollars. And with continued large commitments, expenditures by the Federal Government are expected to total around 72 billion dollars, or about 2.5 billion below fiscal 1953. Budget expenditures include, in addition to spending for goods and services, a number of commitments which are largely fixed by law, such as transfer payments, interest payments, and grants to States.

Table 1.- Government expenditures for goods and services, second quarter, 1950-53, seasonally adjusted annual rates

Item	April-June quarters			
	1950	1951	1952	1953
	Bil. dol.	Bil. dol.	Bil. dol.	Bil. dol.
Government purchases of goods and services	40.3	60.2	77.7	83.5
Federal	20.7	38.5	54.7	58.9
National security	17.2	35.0	49.3	53.5
National defense ^{1/}	12.1	31.3	47.1	51.3
Other ^{2/}	5.1	3.7	2.7	2.3
Other Federal less government sales	3.6	3.5	4.9	5.8
State and local	19.5	21.7	23.0	24.6

^{1/} Mainly for Defense Department and foreign military aid, but includes atomic energy development, and stockpiling.

^{2/} Mostly foreign economic aid.

Expenditures for military functions of the Defense Department in fiscal 1953-54 are scheduled at 41.7 billion dollars, about 2 billion below fiscal 1953. But this decline is partly offset by an increase of about $\frac{1}{2}$ billion dollars each for the Mutual Security Program and the Atomic Energy Commission. In addition, moderate declines, totaling around 1.5 billion dollars, are scheduled for most nondefense items. These planned reductions indicate some easing in Federal demands for goods and services from the high second quarter rate.

Budget receipts, estimated at 63.3 billion dollars for fiscal 1954, reflect proposed tax cuts in 1954. Reductions are scheduled on consumer incomes, corporate incomes, and some excise taxes, but the full effect will not come until fiscal 1955. Planned revenues and expenditures indicate a Federal budget deficit in 1953-54 of 3.8 billion dollars compared with almost 9.4 billion in fiscal 1953.

State and Local Spending May Rise Further

Expenditures by State and Local Governments are expected to continue to rise over the coming year, possibly by 1 to 2 billion dollars. A large volume of new construction is needed to take care of expanding requirements for schools, roads and other public facilities. Many of these types of construction were restricted during the war and in the years following Korea. Construction outlays for schools are currently high, but with high birth rates and population shifts over the past decade, needs for new schools and other public facilities have expanded much more rapidly than construction. New highway designs and the rapid gain in traffic volume are expected to result in a continued rise in highway construction over the coming year. Increased needs together with larger revenues and some improvement in the financial condition of State and local governments point to a continued rise in expenditures.

Investment Demand At Record Rate

Investment demand has a strategic influence on changes in employment, output and income in the economy. Changes in business investment depend to a considerable extent on technological developments and expected shifts in demands by consumers and the Government. In addition, some major swings in gross investment outlays are due to changes in the rate of inventory accumulation. Since the opening of hostilities in Korea in mid-1950, business inventories have had a large but erratic growth. New construction activity rose rapidly in late 1950, but slackened in 1951 and 1952 when nondefense construction was controlled. When controls were removed construction again rose, and in the second quarter of 1953 was at a record rate, some 15 percent above pre-Korea. Investment in producers' durable equipment in mid-1953 was nearly a fourth larger than in mid-1950, reflecting greatly increased demands for an expanding defense program and for a growing consumer market. Capital outlays in manufacturing industries in 1953 are estimated at a rate 69 percent above 1950, with expenditures in durable goods industries up 90 percent and nondurable industries, 55 percent.

Productive Capacity Expanded Rapidly

Expenditures by business for new plant and equipment contributed to a large growth in physical plant in recent years. Much of the growth since fighting began in Korea has been concentrated in the defense-related industries. Encouraged by opportunities for rapid tax amortization, by favorable treatment under materials and construction controls, and in some instances by guaranteed loans and purchase agreements, many of these industries rapidly enlarged their productive capacity.

Largest expansion occurred in primary metals, machinery, transportation equipment, chemical, and petroleum industries. Steel capacity in mid-1953 is up around a fifth from mid-1950, and domestic primary aluminum

productive capacity was increased three-fifths. Over the same period, electric power generating capacity rose more than a fourth and petroleum refining capacity nearly 15 percent. Production of passenger cars in the first half of 1953 totaled over 3.2 million units, 47 percent above last year and more than in the first half of 1950, the year in which a record number of cars was produced. Deliveries of industrial machinery in the first half of this year were about the same as last year and more than double the rate just preceding Korea.

Table 2.- Business expenditures on new plant and equipment 1950-52 and estimates for 1953

Item	1950	1951	1952	1953 ^{1/}
	Mil. dol.	Mil. dol.	Mil. dol.	Mil. dol.
Manufacturing industries	7,491	10,852	11,994	12,690
Durable goods	3,135	5,168	5,784	5,955
Nondurable goods	4,356	5,684	6,210	6,735
Mining	707	929	880	892
Railroads and other transportation	2,323	2,964	2,754	2,651
Public utilities	3,309	3,664	3,838	4,429
Commercial and other	6,775	7,235	6,989	7,159
Total	20,605	25,644	26,455	27,821

^{1/} Estimates for the third and fourth quarters are based on anticipated capital expenditures as reported by business in August 1953.

Business Investment Outlays Indicated Lower

Capital outlays by business in the first 3 quarters of this year totaled 8 percent above the same period of 1952, but the pattern of investment has begun to change somewhat. Investment expenditures in primary iron and steel, nonferrous metals and motor vehicle industries so far this year have been only slightly above the corresponding period of 1952. Capital outlays were down from last year for heavy transportation equipment industries; stone, clay and glass products; textile mill products; and transportation industries. These declines were large but they were more than offset by substantially increased capital expenditures in industries such as fabricated metals, machinery and equipment, paper, chemicals, petroleum and public utilities. Capital outlays planned by businessmen for the last quarter of 1953 are down 5 percent from the record third quarter rate.

The big growth in productive capacity in recent years and the expected virtual completion of many defense-related expansion programs suggests the likelihood of a moderate cutback in business investment over the coming year. But some industries probably will continue to expand and modernize productive facilities, especially if demand by consumers and the Government holds relatively high. Financing of capital expansion in 1954 probably will be no more difficult than this year and may be easier. Business depreciation reserves and retained earnings, which have provided a major part of the financing of capital expansion in recent years, probably will remain large next year.

Farm Investment Lower

Farm investment in buildings, motor vehicles, tractors, and other machinery and equipment was maintained at a very high rate from 1950 to 1952. These large outlays reflected high incomes in agriculture, record farm output, limited supplies of labor and some advance buying following the outbreak of fighting in Korea. Capital outlays in 1952 were down somewhat from the peak in 1951, and available information for this year points to a further substantial drop. Industry reports for the first 8 months of 1953 indicate that retail sales of tractors and farm equipment fell off around 15 percent from a year earlier. Part of this decline may be attributed to smaller purchases of heavy equipment in the Southwest drought area, but it reflects primarily lower farm incomes.

The financial position of farmers in general is still good. However, the decline in income from 1952 to 1953 was severe for some farmers, particularly those who recently got into farming and those in areas affected by adverse weather. Moreover, large supplies of farm products and acreage restrictions in 1954 for wheat and cotton may limit demand for certain types of machinery and equipment.

Construction Activity High

Expenditures for new construction were at a record rate in the first 9 months of this year, more than 7 percent above the same period of 1952. Much of this increase reflected the big gain in commercial construction (particularly stores, restaurants, and garages) and in religious, educational and recreational building. Residential building, which is a major part of total construction activity, rose by a slightly larger percentage than total construction. Hospital and institutional construction, both private and public, was down more than a fifth from the first 9 months of 1952 and outlays for public housing declined 16 percent. Reported expenditures for new farm construction were down 8 percent and outlays for industrial construction were slightly below the first 9 months of 1952.

New construction outlays, adjusted for seasonal variations, have declined since last spring mainly because of the drop in residential housing and reduced outlays for public construction. Although the annual rate of private housing starts declined from February through August this year, total starts for the first 9 months were about the same as in the

first 9 months of 1952. The large number of new houses built in recent years, somewhat tighter money, and higher interest rates apparently have been largely responsible for some easing in the housing market. However, vacancy ratios are still relatively low and rents probably will rise further. The need for housing will be large again in 1954, to take care of new family units and replace some existing housing. Financing new construction may become easier, and if income is fairly well maintained, only a moderate decline in new home building is likely in the coming year.

Inventories Up Sharply
In Recent Months

Sales to consumers, new construction, business investment outlays, and Government demands on the economy are at or near record rates. But with expanded production capacity, inventories were accumulated at an annual rate of almost 9 billion dollars in the second quarter, and reports for July and August point to a further substantial buildup in stocks during the third quarter. Business inventories at the end of August had a book value of nearly 78.8 billion dollars, up about 4.1 billion from the beginning of 1953.

Table 3.- Gross Investment Expenditures, seasonally adjusted
annual rates for second quarter 1950-53

Item	April-June quarters			
	1950	1951	1952	1953
	Bil.dol.	Bil.dol.	Bil.dol.	Bil.dol.
Gross private domestic investment	52.0	65.5	49.6	61.0
New Construction	22.0	23.4	23.4	25.3
Residential nonfarm	12.4	10.9	11.0	12.0
Other	9.6	12.5	12.4	13.4
Producers' durable equipment	21.7	25.0	25.6	26.9
Change in business inventories	8.3	17.1	.7	8.8
Net Foreign investment	-1.6	-.2	.5	-2.5
Total	50.4	65.3	50.1	58.5

Since the start of the second quarter, business inventories have increased by 3.4 billion dollars. This rise was made up of a 2.1 billion dollar increase in manufacturers' stocks, of which 1.4 billion was in durable goods, an increase of about 1.1 billion at the retail level, and a rise of 0.2 billion at wholesale. The increase in manufacturers' stocks was fairly well distributed by industry. At the retail level, inventories of nondurable and durable goods increased about the same amount with larger automobile stocks contributing most to the rise in inventories of durable goods.

Stocks do not appear high relative to the near record rate of retail sales and manufacturers' deliveries. But there are now virtually no shortages, and even though economic activity holds up well, some reduction in the recent high rate of stock accumulation is in prospect. However, if consumer demand is well maintained, inventory reductions are expected to be orderly and selective as they have been in recent months.

Net Foreign Investment

The financial position of foreign countries has improved over the past year. United States imports plus substantial amounts of military and other aid have exceeded U. S. exports of goods and services in the first half of 1953 at a seasonally adjusted annual rate of 2.3 billion dollars. Over the coming year, net foreign investment will be relatively small.

Consumer Income Spending and Saving

Consumer spending and saving depend primarily on changes in consumer income after taxes. However, many other factors such as availability of consumer credit, liquid asset holdings and psychological considerations also influence consumer buying. In the three years from mid-1950 to the second quarter of 1953, consumer incomes rose 23 percent and consumer spending was up nearly 22 percent. Outlays for nondurable goods rose about 21 percent, and for services about a fourth. Purchases of durables varied considerably but so far this year, they have held close to the record rates that followed the outbreak of fighting in Korea.

Incomes Up Sharply From 1952

Consumer demand increased substantially over the past year. In the first 3 quarters of 1953 disposable income averaged 7 percent above a year earlier, with most of the gain in wage and salary payments. Manufacturers' payrolls through July this year were more than 16 percent above a year earlier. Employment was up about 8 percent, mostly in the durable manufacturing industries, and the work week was slightly longer. Average hourly earnings increased nearly 7 percent reflecting increases in the basic wage rate as well as premium pay for overtime in some industries. Higher incomes have contributed to a high rate of personal saving as well as increased consumer buying. Through the first half of this year individuals increased their liquid assets in the form of savings and loan association shares, Government securities, insurance and security investments, but decreased their holdings of currency and bank deposits. They also increased their mortgage and consumer debt enough to offset part of the bolstering effect of increased liquid assets.

In addition to the effect of rising income on demand, consumer credit outstanding increased about 4.3 billion dollars over the past year to a total of 27.4 billion at the end of August. About 3.6 billion of this net gain was in installment credit on consumer durables, 2.8 billion was in automobile paper. This net extension of credit was an important factor influencing the high rate of consumer buying of automobiles and other consumer durables during the past year.

Consumers Buying at Record Rate

In response to higher incomes and a liberal use of credit, consumer purchases during the first half of this year were at an annual rate of 229 billion dollars, 6 percent above a year earlier. Expenditures for durable goods were up 14 percent; services increased 8 percent and non-durables 3 percent. Outlays for automobiles and parts increased 30 percent and for furniture and household equipment 4 percent. Purchases of food continued to rise, registering a gain of nearly 4 percent in response to higher incomes. Outlays for clothing and other major groups of nondurables also rose moderately over the year. Preliminary estimates for the third quarter show consumer spending at a rate of 233 billion dollars, with most of the increase from the second quarter in expenditures for services.

Table 4.-Consumer income, spending and saving, second quarter 1950-53, seasonally adjusted annual rates

Item	April-June quarters			
	1950	1951	1952	1953
	Bil.	Bil.	Bil.	Bil.
	dol.	dol.	dol.	dol.
Personal disposable income	200.3	223.9	231.7	247.7
Consumer expenditures for				
goods and services	189.7	204.8	217.2	230.4
Durable goods	26.8	26.5	27.4	30.7
Automobiles and parts	11.4	11.1	11.5	14.4
Furniture and household:				
equipment	11.6	11.2	11.7	12.0
Other	3.8	4.2	4.3	4.3
Nondurable goods	100.7	111.6	118.0	122.1
Food and beverages	59.9	68.1	72.3	74.9
Clothing and shoes	18.6	20.0	20.5	20.7
Other	22.2	23.5	25.2	26.5
Services	62.2	66.7	71.8	77.6
Personal saving	10.6	19.1	14.5	17.2

Although sales by automotive stores in August were down 5 percent from the July rate, consumer purchases of automobiles were maintained at a very high level during the first half of this year. Stocks of new automobiles have expanded rapidly in recent months and prices of used cars have

been declining, indicating some pressure on prices from increased supplies. Furniture and appliance sales in August were down a moderate 3 percent from the rate in June and July. Household appliance and radio stores, a large part of the furniture and appliance group, have reported some sales pickup from the reduced rate last April.

Even though economic activity may not hold at current record rates, consumer incomes after taxes are likely to be fairly well maintained over the coming year. The prospective cut in income taxes will add appreciably to spendable income. Wage rates also are likely to continue high and may rise in some industries. If some unemployment should develop, unemployment insurance would tend to limit the effect of reduced payrolls on income. Consumer credit is not expected to finance consumer buying to the extent that it did during the past year. And, the high level of consumer and mortgage debt together with increased insurance premiums and social security payments will represent large fixed claims against income, especially at the lower income levels. Nevertheless, expenditures for food, clothing, other nondurable goods and services are expected to be well maintained. Recent high rates of buying and prospects for some further easing in the number of new houses built may dampen the demand for durables and result in buying rates somewhat below the near-record levels in the first half of 1953. Consumers probably will save relatively less than in recent years. If retail prices ease somewhat, the quantity of consumer purchases is expected to continue high over the coming year.

Output and Employment

The dollar value of the output of goods and services in the first half of this year was at an annual rate of 367 billion dollars, 7 percent above the rate for these months a year earlier and nearly 28 percent above the value for the year 1950. Of this expansion of 28 percent, 16 percent represented an increase in physical output and 10 percent a rise in prices. Since prices in general have held relatively stable over the past year, the 7 percent increase in the value of the gross product from the first half of 1952 represents primarily a gain in output. Accompanying this expansion, total employment, both farm and nonfarm, increased only 1.5 percent; non-agricultural employment was up nearly 3 percent from the first half of 1952. The average workweek in manufacturing industries lengthened about 1 percent. Gross product per man hour apparently continued to rise.

Output and employment remained at high levels in the third quarter, and are expected to be relatively high next year. However, some easing from current record rates is in prospect. With continued growth in the labor force, unemployment may rise from current low rates but the increase is expected to be moderate.

Industrial Production
Holding Near Peak Rates

Output of the Nation's mines and factories in the third quarter, after adjustment for the summer letdown, was nearly 3 percent below the second quarter. The Federal Reserve Board's index of industrial production in the second quarter averaged 240 percent of the 1935-39 average, 14 percent above the second quarter of 1952 when labor-management disputes reduced output, and 23 percent larger than the rate just before Korea. Production of durable goods in the second quarter was 40 percent greater than pre-Korea, reflecting big increases of 28 percent for iron and steel, 30 percent for nonferrous metals, 56 percent for machinery and 61 percent for transportation equipment. Output of nondurable goods grew only 9 percent from pre-Korea, but gains were large in the petroleum, chemical and rubber industries.

Table 5.- Indexes of industrial production by industry for selected groups, second quarters, 1950-53, adjusted for seasonal variation

(1935-39=100)				
Industry	April-June quarters			
	1950	1951	1952	1953
Industrial production	195	222	210	240
Manufactures	204	233	221	254
Durable	230	276	267	322
Nondurable	182	198	183	198
Minerals	145	165	151	166
Major consumer durable goods output				
Total	151	131	105	145
Passenger automobiles	161	141	111	157
Household goods, total	140	119	99	131

Since the spring of this year, production cutbacks have been reported for several products as sales faltered somewhat and inventories accumulated. Large deliveries by manufacturers in response to volume retail sales, continue to eat away at relatively large order backlogs. The index of industrial production has eased off, largely because of reduced output of durable goods. Steel production in August was off nearly 7 percent from March when plants were operating at 101.8 percent of rated capacity. Mill activity dropped to 93.2 in July, rose to 94.6 percent in August, and then dropped back to 91.6 percent in September. Output of nonferrous metals held up pretty well through the second quarter but in August was nearly 7 percent below the peak rate last April. Inventories held by producers of primary metals declined a little in the first quarter, but by the end of August, they were more than 8 percent larger than in March. Both new orders and deliveries for primary metals producers have held up fairly well, but their order backlogs in August were about 8 percent below March.

Production of machinery, excluding transportation equipment, was down slightly in June from the March rate; then fell off substantially in July and August due largely to a curtailment in output of farm machinery. Deliveries of most types of machinery have held up well, but with high rates of production, inventories of electrical and other types of machinery have increased in recent months. New orders also rose for electrical machinery. Unfilled orders continue high even though they have declined somewhat in recent months for non-electrical machinery. Output of transportation equipment including automobiles and aircraft eased off a little through June from the high rate in April. By August, production was down nearly 7 percent from April as output of automobiles and parts shrank nearly 12 percent. Although manufacturers' deliveries continued high through August, their inventories also increased a little. Unfilled orders for transportation equipment have declined in recent months but are still relatively large. However, order backlogs for freight cars and locomotives were sharply reduced in the first half of this year.

There was some curtailment in assemblies of passenger cars in August and September from the very high rates in earlier months. Dealers' stocks of motor cars have increased substantially since January but, for the industry as a whole stocks are not considered excessive relative to recent volume sales. However, prices of used cars have been declining under pressure of increased supplies and the waiting period for new cars has virtually ceased to exist. The high production rates of earlier months are not likely to be maintained over the coming year for automobiles, even though consumer incomes are well maintained. Output of major household appliances declined in recent months, and in August was nearly a fourth below spring rates. Sales eased off only slightly and the gain in inventories, though moderate, was probably involuntary. In May and June production of radio and television sets was down a fourth from January, but with the introduction of new models, production was stepped up sharply in July and August.

Production of nondurable goods rebounded from the dip in July when vacation shutdowns were widespread, and in August and September held near the high rate in the first half of this year. Manufacturers' deliveries and retail sales of nondurable goods have advanced slightly in total and for major groups so far this year. Output has risen enough to provide for the gradually expanding market and to permit some growth in inventories. Production of chemical and petroleum products in August was a little above spring rates, rubber products were off somewhat, and production of textiles and manufactured food products was also down moderately from rates in the spring. Output of minerals advanced gradually during the first half of this year, dipped in July, and regained the June rate in August and September.

Employment at High Level

Total employment, hours worked per week and output per man hour rose over the past year and contributed to a substantial advance in total output of the economy. The rise in employment from the first half of 1952 to the same period this year was moderate, reflecting a gain of about 3 percent in nonagricultural employment and some decline in agricultural employment. A big addition to the number of workers occurred in the durable goods

sector where production was substantially increased. Employment of production workers in durable manufacturing industries for the January-July period this year was more than 12 percent above the same period of 1952. The corresponding gain for employment in nondurable industries was about 3 percent.

Employment remained at a record high in August as a seasonal pickup in nonfarm hiring offset late summer reductions in farm employment. September employment dropped approximately a million from August to about the level of a year ago. When adjusted for the usual seasonal variation, non-agricultural employment in August and September held near the July level. Unemployment continued at a very low total of about $1\frac{1}{4}$ million workers, about 2 percent of the civilian labor force.

Hours worked per week in manufacturing industries through the first half of this year averaged slightly above a year earlier. But the length of the workweek has been declining in both durable and nondurable goods manufacturing industries. Average hourly earnings have continued to rise gradually and approximately offset the effect of the shrinking workweek so that weekly earnings held relatively stable near peak rates during the first half of this year.

If economic activity declines somewhat over the coming year because of some easing in spending for defense and new investment, unemployment may rise a little even though total employment is maintained near the record for this year. The length of the workweek may decline further, but hourly earnings in general are likely to continue high and may increase in some industries.

Commodity Prices

Prices of consumers goods and other final products held relatively steady over the past year as increased demand from consumers, businessmen and the Government was accompanied by an approximately equal gain in output. Prices paid for consumers goods and services in urban areas during the first half of this year averaged less than one percent above a year earlier. Rural living costs, which do not reflect the persistent advance in rents and services, were down slightly from a year earlier. Wholesale prices of all commodities in the first half of 1953 were fairly steady, about 2 percent below the first half of 1952. Prices of farm products and foods declined while industrial products averaged unchanged from the first half of 1952.

Industrial Product Prices

Wholesale prices for all commodities have held steady near 110 percent of the 1947-49 average so far this year. Prices of farm products and foods have eased off somewhat further under pressure of large supplies of agricultural products. However, prices of industrial products increased slightly with most major groups of the index advancing from the beginning of the year. Prices of industrial chemicals in September averaged 6 percent above January, and petroleum products were up 8 percent. Prices of machinery and motive products averaged higher with electrical machinery and equipment prices rising about 5 percent as public utility programs expanded.

Prices of primary metals also mounted; prices for iron and steel averaged 6 percent higher in August than at the beginning of the year, with prices for semifinished steel up 14 percent; iron ore 9 percent; and finished steel 8 percent. Prices for nonferrous metals both in primary shapes and scrap were lower; but prices for more highly processed shapes were higher. The index of spot market prices for metals (includes only tin, zinc, and scrap prices for copper, lead and steel) declined during the year and in early October was down nearly a fourth from a year earlier, largely because of the sharp drop in the price for steel scrap. Also, the index of raw industrial commodity prices (burlap, cotton, print cloth, hides, rubber, tallow, wool, etc. in addition to the metals) weakened over the year and in the first week of October was about 17 percent below a year earlier.

Consumer Prices Continue High

Retail prices in urban areas have inched up gradually this year and in August were at a record high of 115 percent of the 1947-49 average but less than one percent above a year earlier. With increased supplies of food, particularly meats and vegetables, prices declined rather abruptly from mid-1952 to the spring of this year, then strengthened but are still below levels of a year ago. Apparel prices have continued to ease off gradually over the past year. Rents and charges for services exhibited the most persistent rise and these segments of the index probably will continue to creep up in coming months.

Prices paid by farmers for items used in family living have firmed up recently and are near levels of a year ago. Rural food prices are down a little from a year ago but most other components of the index are slightly higher. A continued high level of consumer demand, prospects that grower prices for farm products will be fairly well maintained, and the relative inflexibility of marketing charges, all suggest that retail food prices are not likely to weaken much over the coming year.

THE AGRICULTURAL SITUATION

Prices of farm products and farmers' incomes so far this year are down substantially from 1952. The index of prices received by farmers through September averaged 11 percent below the same months of 1952. Prices paid by farmers including interest, taxes and wage rates averaged only 3 percent lower. Consequently, the parity ratio dropped to 92 in September compared with 101 a year earlier. Net incomes of farm operators this year will likely total a billion dollars below the 13.5 billion estimated for 1952. Reduced purchasing power this year has contributed directly to smaller purchases of farm machinery, equipment and other nonfarm products. Land values have declined and farm indebtedness has advanced less rapidly.

The fall in prices of farm products and incomes from 1952 has been largely due to two factors; record production and a sharp curtailment in foreign demand for U. S. farm products. These factors have more than offset the supporting influence of a strong domestic market with rising employment and consumer incomes.

Supplies Large and Stocks Mount

Very large supplies of most farm products are likely for the 1953-54 marketing year. Current production prospects indicate that farm output this year will be close to the record in 1952. Crop production may be the third largest on record but down somewhat from last year. The decline reflects reduced output of such crops as wheat, tobacco, deciduous fruits and corn. The crops of potatoes, fresh vegetables, cotton, citrus fruits, grain sorghums and some other products are larger. Production of livestock and livestock products is running larger this year than in 1952. Beef slaughter may total more than a fourth above last year, offsetting reduced marketings of hogs. Supplies of eggs and poultry will equal those of 1952, and milk production is expected to increase nearly 3 percent from the 115 billion pounds reported for 1952. In addition to heavy production, large stocks of wheat, cotton, corn, fats and oils, and manufactured dairy products were carried into the current marketing year.

The supply of feed concentrates in prospect for the 1953-54 feeding year is a little above last year, and with slightly fewer grain-consuming animals units, a near record supply per animal unit is in prospect. Indicated cotton production of 15.4 million running bales together with the carryover of 5.5 million bales and small imports will provide a relatively large supply of 21.0 million bales for the 1953-54 marketing year. The wheat crop, estimated at 1,163 million bushels, plus a carryover of about 559 million bushels point to a record wheat supply of more than 1,700 million bushels for the 1953-54 marketing year. Continued large supplies of edible fats and oils are in prospect as a smaller 1953 production was more than offset by substantially larger carryovers.

Table 6.- Supplies of selected farm products, 1952-53 marketing year and estimates for 1953-54

Commodity	Unit	Marketing year beginning	Carryover stocks		Production	Total supply
			Total	CCC	1/	2/
Wheat	Mil. bu.	July				
		1952-53	256	143	1,291	1,569
		1953-54	559	470	1,163	1,727
Cotton	1,000	August				
	running	1952-53	2,789	285	15,124	18,113
	bales	1953-54	5,502	2,028	15,282	20,959
Corn	Mil. bu.	October				
		1952-53	486	291	3,307	3,794
		1953-54	3/800	4/	3,196	3,997
Feed grains	Mil. tons	1952-53	20.2	8.4	120.7	142.6
		1953-54	3/28.0	---	117.7	147

1/ 1953 production as indicated on October 1. For cotton, production is ginnings, August 1 to July 31. 2/ Includes small imports. 3/ Estimated. 4/ Quantity under loan and CCC ownership, estimated at about 575 million bushels on October 1.

Production ProspectsFor 1954

Crop production in 1954, as usual, will depend to a very large extent on growing conditions. However, acreage restrictions for wheat, corn and cotton (unless cotton growers disapprove marketing quotas) may reduce total crop output even though most acreage released is used to increase production of such crops as small grains, hay, pasture, soybeans and flaxseed. Stocks of wheat, cotton, and corn carried over into 1954 probably will be even larger than the carryovers into the current marketing year. Thus, if growing conditions are not unfavorable, supplies of major farm crops in 1954 are again likely to be large. Generally expanded livestock numbers also point to a continued volume output of livestock products next year.

Domestic Demand
at High Level

Domestic demand for food and other agricultural products has been maintained at a high level over the past year. Consumer incomes so far this year are running about 7 percent above a year earlier with most of the gain in wage and salary payments. Expenditures for food continued their moderate advance in response to rising incomes. Spending for clothing also was up slightly from 1952.

Employment and wage rates are expected to be well maintained in the coming year even though economic activity shades off from recent record levels. Consumer income available for spending may be down very little from the average for 1953. Demand for food also is expected to hold fairly close to 1953 levels.

Agricultural Exports

Foreign demand for United States farm products dropped substantially in the 1952-53 marketing year reflecting improved foreign supplies of food and fiber and reduced supplies of dollar exchange in some important importing countries. The value of farm product exports totaled 2.8 billion dollars in 1952-53 compared with over 4.0 billion in 1951-52. The value of cotton exports was 52 percent less, wheat over one-third less, and tobacco about 13 percent less.

Supplies of dollar exchange will be up somewhat from 1952-53 and no major improvement in foreign supplies of food and fiber is in prospect for 1953-54. But with increased price competition for some commodities and the withdrawal of the United Kingdom from the International Wheat Agreement, exports of farm products in the current year probably will be near the reduced levels of 1952-53. The foreign supply of dollars and gold available from major sources for the current marketing year is estimated at 7 percent larger than for the preceding year. Holdings in mid-1953 were up 11 percent from a year earlier. Earnings from United States imports of goods and services in fiscal 1953-54 may exceed slightly those in 1952-53, but economic aid utilized may be lower than during 1952-53.

Table 7.- Value of United States exports of agricultural products, specified periods

Period	Cotton including linters	Tobacco unmanu- factured	Other agricul- tural non- foods	Grain and prepa- rations	Other foods	Total agri- cultural exports
	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars	Million dollars
<u>Calendar years</u>						
Average 1935-39	318	128	29	95	178	748
Average 1946-49	583	273	182	1,464	1,040	3,545
1950	1,024	251	247	838	513	2,873
1951	1,146	325	343	1,488	738	4,040
1952	874	246	251	1,483	575	3,429
<u>Years beginning July 1</u>						
1949-50 (total)	948	235	222	1,034	547	2,986
1950-51 (total)	941	274	312	1,239	645	3,411
1951-52 (total)	1,204	327	277	1,580	665	4,053
July-Sept. 1951	135	91	72	356	182	836
Oct.-Dec. 1951	496	136	84	340	170	1,226
Jan.-Mar. 1952	375	56	73	465	164	1,133
Apr.-June 1952	198	44	48	419	149	858
1952-53 (total)	576	285	1/253	1,170	531	2,815
July-Sept. 1952	32	69	45	258	124	578
Oct.-Dec. 1952	219	78	35	340	139	861
Jan.-Mar. 1953	147	60	65	336	128	736
Apr.-June 1953	128	78	58	236	140	640

1/ The seven principal export items or groups which accounted for 83 percent of the total 1952-53 value of \$253 million were: (in millions of dollars) (1) Soybeans 92, (2) Inedible tallow 50, (3) Hides and skins except furs 23, (4) vegetable oils and fats, crude and/or inedible 23, (5) Hops 10, (6) Field and garden seeds 5, (7) Flaxseed 1.

Economic aid to foreign countries has been falling off in recent years and this decline may continue. However, since the outbreak of hostilities in Korea, the reduction in foreign dollar receipts from this source has been nearly offset by an increase in foreign dollar receipts from larger expenditures by U. S. armed forces abroad and from increasing offshore procurement of military equipment.

Larger foreign supplies of food and fiber and continued large aid expenditures made it possible for many foreign countries to accumulate dollar exchange during 1952-53. Sterling area holdings of dollars and gold in London on July 1, 1953 were around 40 percent larger than a year earlier; Japanese holdings increased about one-fifth; and those in 10 western European countries were up about 9 percent from mid-1952. The rise in Western Europe reflects small gains for most countries; a moderate decline for France and a gain of more than 50 per cent for the Netherlands.

Insofar as the improved foreign gold and dollar situation results in increased allocations for purchases of dollar goods, foreign demand for U. S. agricultural products may strengthen somewhat. However, much will depend on official Government policies on the use of gold and dollar reserves.

Table 8.- Total foreign supply of gold and dollars from principal sources during fiscal 1952-53 and estimated for 1953-54 ^{1/}

Item	Year beginning July 1	
	1952-53	1953-54
	Billion	Billion
	dollars	dollars
Total foreign holdings of gold and dollars at the beginning of given year:	19.39	21.47
U.S. Imports of goods and services during the year	16.35	little increase
U. S. Government (net) foreign economic aid utilized during the year	1.97	down
Total above	37.71	40.30 (est.)

^{1/} From principal sources listed in the table. These exclude free dollars resulting from foreign expenditures by U. S. armed forces. The table also excludes foreign receipts of dollars and gold from certain currently minor sources such as foreign-produced gold going into foreign reserves, capital movement, etc.

The proportion of farm exports financed with major U.S. Government foreign aid dollars has declined from 47 percent in fiscal 1949-50 to around 16 to 17 percent in 1951-52 and 1952-53. There was a marked upturn in the percentage of cotton exports financed with Government funds in 1952-53. The percentage financed also increased for coarse grains and oils and fats. These increases more than offset a reduction in financing of bread grains and tobacco in 1952-53.

Table 9.- Exports of United States farm products, and proportion financed with major Government foreign economic aid funds, fiscal years 1950 through 1953

Fiscal years	Total value of U. S. agricultural exports	Proportion financed by Government aid ^{1/}
	Million dollars	Percent
1949-50	2,986	47
1950-51	3,411	29
1951-52	4,053	16
1952-53	2,515	17

^{1/} Proportion of agricultural exports financed by MSA (formerly ECA) and by Export-Import Bank cotton loans.

Prices Received by Farmers Lower

The index of prices received by farmers for all farm products in the third quarter of 1953 averaged 12 percent below the same period of 1952. Prices for crops were 12 percent lower as all major groups, except fruit and tobacco, registered substantial declines. "Other vegetables" were down 46 percent as prices for potatoes were reduced to less than half those of a year earlier, reflecting increased production. Most of the decline in crop prices reflected more abundant supplies, and in the case of wheat and cotton, substantially smaller exports. Prices for live-stock and livestock products were down more than one-tenth as small gains in prices of wool and eggs were more than offset by declines for meat animals and dairy products. Lower prices for meat animals resulted largely from the substantial increase in marketings of beef cattle and calves. Prices for lambs followed the downtrend for cattle; but prices for hogs were up a fifth as marketings were reduced because of the smaller spring pig crop this year. Lower prices for dairy products reflected larger milk production.

Table 10.—Group indexes of prices received by farmers,
third quarter 1952 and 1953 with percentage change

(1910-14=100)

Group	Third quarter 1952	Third quarter 1953	Percentage change
All farm products	293	258	-12
All crops	271	236	-13
Food grains	235	217	-8
Feed grains and hay	231	198	-14
Cotton	320	275	-14
Tobacco	433	436	+1
Oil-bearing crops	307	260	-15
Fruit	207	211	+2
Truck crops	233	199	-15
Other vegetables	340	183	-46
Livestock and products	312	277	-11
Meat animals	366	307	-16
Dairy products	296	267	-10
Poultry and eggs	220	228	+4
Wool	290	299	+3

For all of 1953, prices by farmers are down 10 percent from 1952, with declines averaging about the same for both crops and livestock. Prices received by farmers for food products in 1953 are expected to be down about 6 percent from last year. Cost of marketing probably will continue high and the farmers' share of the dollar consumers spend for farm foods is expected to average less than last year and to be the smallest share for any year in the postwar period.

Price Supports Bolster
Sagging Farm Prices

With large supplies of farm products in the 1952-53 marketing year, Government price support programs were an important factor in keeping prices for farm products from dropping farther than they did. The dollar volume of price-support extended by the Commodity Credit Corporation on 1952 production through June 30, 1953, totaled 2.9 billion dollars, 3 times the support extended to 1951 crops and 2½ times that extended to 1950 crops. Almost 90 percent of the dollar value was accounted for by price support programs for six major crops--wheat, corn, upland cotton, cottonseed, milk and butterfat, and tobacco. More than 460 million bushels of wheat, 416 million bushels of corn, 2.3 million bales of cotton, 3,340 million pounds of cottonseed products, 430 million pounds of manufactured dairy products, and 329 million pounds of tobacco moved under loan or purchase agreements or were purchased under price support programs for 1952 production. A substantial portion of the large carryover of many farm products at the beginning of the 1953-54 marketing year were held in CCC inventory or under loan or purchase agreement. Price supports announced for 1953 crops will bolster prices for many commodities as large quantities of 1953 crops move under loan and purchase agreement.

Prices received by farmers on September 15 for many farm commodities --most important were wheat, rye, corn and the other feed grains, cottonseed, soybeans, flaxseed, and peanuts--were below supports announced for 1953 crops. Grower prices for cotton averaged in mid-September close to the support level but market prices for many qualities averaged below the support levels. Prices for rice, and wool were about at loan levels, while prices for dry edible beans and flue-cured tobacco averaged higher.

Prices Paid by Farmers
Somewhat Lower

Prices paid by farmers in the third quarter of this year averaged about 3 percent lower than in the same three months of 1952. However, most of the decline resulted from lower prices for things that other farmers produce. Prices paid by farmers for livestock were down nearly a third from a year earlier, and feed and seed were off 12 percent. Prices paid for rural family living items averaged about the same as a year ago, as a small decline in prices for food was about offset by small gains in the prices paid for other living items. Prices for production items were down about 9 percent as the decrease in prices for feed, seed and livestock was only partially offset by small gains in prices for industrial products such as motor supplies, farm machinery, fertilizer, and building and fencing materials. Farm wage rates in the third quarter were about 2 percent higher than a year earlier. Interest charges in 1953 are up 9 percent from 1952 and taxes are 5 percent above a year ago.

With prices received by farmers in the third quarter down 12 percent from 1952 and the parity index (prices paid, including interest, taxes and wage rates) down only 3 percent, the ratio of prices received to the parity index dropped 10 percent from 102 to 92. Prices received and paid by farmers may shade off a little over the coming year but little change is expected in the relative price-cost position of farmers.

Table 11.- Comparison of average prices received for selected commodities with parity prices and announced supports for 1953 crops

Commodity	Unit	Season average price		Support for 1953 crops	September 15, 1953	
		1951-52	1952-53		Average price received:	Parity prices
Tobacco:						
Flue-cured	: Cts. per lb.:	52.4	50.3	47.9	57.6	52.6
Burley	: Cts. per lb.:	51.2	50.3	46.6	---	51.2
Food grains:						
Wheat	:Dol. per bu.:	2.11	2.09	2.21	1.92	2.45
Rye	:Dol. per bu.:	1.53	1.77	1.43	1.12	1.68
Rice	:Dol. per cwt.:	4.82	5.87	4.84	4.87	5.32
Feed grains:						
Corn	:Dol. per bu.:	1.66	1.57	1.60	1.50	1.78
Oats	:Dol. per bu.:	.823	.839	.80	.714	.878
Barley	:Dol. per bu.:	1.24	1.41	1.24	1.12	1.35
Grain sorghums	:Dol. per cwt.:	2.36	2.95	2.43	2.26	2.68
Oilseeds:						
Cottonseed	:Dol. per ton:	69.30	69.60	54.50	51.50	71.70
Soybeans	:Dol. per bu.:	2.73	2.82	2.56	2.33	2.76
Peanuts	:Cts. per lb.:	10.4	11.0	11.88	11.0	13.3
Flaxseed	:Dol. per bu.:	3.71	3.78	3.79	3.48	4.49
Dry edible beans	:Dol. per cwt.:	7.91	8.52	7.82	8.35	8.81
Cotton:						
American Upland	:Cts. per lb.:	37.69	34.6	<u>1/30.80</u>	33.09	34.35
Wool (grease basis)	:Cts. per lb.:	97.0	53.3	53.1	52.9	58.2

1/ Average for Middling 7/8 inch cotton. The national average support for Middling 15/16 inch cotton is 32.70 cents.

FARM INCOME

Farmers' cash receipts from marketings in 1953 are tentatively estimated at 31.2 billion dollars, down 4 percent from last year. The total volume of marketings this year is somewhat larger than in 1952, but prices are about 10 percent lower on the average. Estimated cash receipts from both livestock and products and from crops are down about 4 percent.

The decline in receipts from livestock and products is due largely to a sharp drop in prices of cattle and to smaller declines in prices of milk and butterfat. Nearly all major crops are involved in the drop in total crop receipts, with potatoes and soybeans showing the largest declines. Prices are averaging lower than last year for most crops.

Present prospects are for some further decline in cash receipts from marketings in 1954. Because of acreage curtailment of some of the principal crops, the total volume of marketings probably will be down from 1953, and no offsetting increase is expected in the average of prices received by farmers. The largest declines in cash receipts are likely for those crops whose acreage will be reduced. However, receipts from dairy products and eggs may also be down.

Realized gross farm income in 1953 is estimated at 35.1 billion dollars, 4 percent less than in 1952. The value of home-consumed farm products and Government payments are both down a little along with cash receipts from marketings. Another moderate decline in gross income is expected in 1954.

Total farm production expenses in 1953 are estimated at 22.6 billion dollars, 2 percent less than last year's total. Livestock purchases show the greatest relative decline, but purchased feed and seed and farm rental payments are also lower. However, small increases have appeared in maintenance and depreciation charges, operating costs of motor vehicles, taxes, farm mortgage interest payments, hired labor, and many of the small miscellaneous expense items. Some further decline in total expenditures is expected in 1954. While most of the overhead costs may not show much change, farmers will probably reduce their cash outlays for many of the current operating expenses in line with lowered production prospects for next year.

Operators' realized net income--the difference between realized gross farm income and total production expenses--is estimated at 12.5 billion dollars in 1953. This is a billion dollars or 7 percent lower than the revised estimate for 1952. Reduced expenses next year may not fully compensate for the expected decline in farmers' gross income. Consequently, their net income in 1954 is not likely to equal this year's figure, but it will probably be fairly close.

LIVESTOCK AND MEAT

A continued large slaughter but more price stability for cattle is in prospect for 1954. Hog production will increase next year with some lowering in prices in the fall as hogs from the larger spring pig crop move to market.

After 4 years of expansion the upswing in cattle production has been halted. Cattle and calf slaughter for 1953 will total around 36 million head, roughly the equivalent of current production, and cattle inventory numbers next January are likely to be little different from last January. The slaughter rate will continue high in 1954, but average slaughter weights

are likely to be a bit lighter and total beef production may be no larger, or a little smaller than in 1953. Beef consumption per person, which rose from 55 pounds in 1951 to a record 75 pounds in 1953, may drop slightly in 1954 but will stay above 70 pounds. Assuming demand for meat continues strong, as expected, this prospective supply points to more stability in cattle prices next year than this. Prices will not regain their earlier levels but the persistent declines of 1952-53 may be ended, and prices in 1954 are not expected to average lower than in 1953.

The supply of fed beef next year, especially in the first half, is likely to be smaller but that of grass beef as large as in 1953. Fewer cattle are going on feed this fall than last, reducing the prospective winter-spring output of fed beef from this past year. Prices of fed cattle may, therefore, be higher than at their lows this year, profits from feeding average or better, and price spreads between the higher and lower grades of cattle again rather wide.

Numbers of cattle seem likely to remain at about their present level for another year or more. No sharp reduction is in view for 1954. However, today's large cattle inventory is naturally sensitive to highly unfavorable conditions--more so than a smaller inventory would be. A widespread severe drought or a weaker demand than now seems likely would result in a larger slaughter and lower prices than is now expected.

The 1953 pig crop, indicated at 84 million, is the smallest in 5 years, and prices of hogs have been higher than in any other year except 1947 and 1948. Hog production is now probably turning upward in response to the higher prices. Although the total fall pig crop of 1953 was indicated by farmers' intentions to be 5 percent smaller than the 1952 fall crop, farrowings in late fall are probably exceeding a year ago. The spring pig crop in 1954 is expected to be up from the 1953 crop--possibly 5 to 10 percent. These increased farrowings will show up as a larger hog slaughter sometime around mid-1954. Until then, slaughter and the pork supply will be below even the low levels of 1953. The small early-year supplies will hold 1954 pork consumption per person short of the low 63 pounds of 1953. Prices of hogs will continue comparatively high in the first part of 1954 but will probably decline more than usual in the fall, when supplies of pork will be greater than this fall.

A small decrease in inventories of sheep and lambs on January 1, 1954 is in prospect. Output of lamb and mutton will probably be reduced moderately next year. Prices of both lambs and wool are not likely to change much. Lamb prices may remain slightly above an average relationship to cattle prices.

A little smaller total meat production than in 1953, assuming no unexpected gain in cattle marketings, is in prospect for 1954. Consumption per person is forecast at 147 pounds compared with 151 in 1953, 144 in 1952, and 136 in 1951. Meat supplies will be relatively less abundant in the first half of the year, more so in the second. Less fed beef and less pork will reduce the total supply in early 1954.

DAIRY PRODUCTS

The large supplies in prospect would substantially exceed demand at a price approaching this year's level. Average prices received by farmers in 1954 will be influenced largely by the level at which dairy prices will be supported in the marketing year which begins April 1, 1954.

Milk production may not increase significantly over the approximately 118 billion pounds in prospect for this year, but carryover of manufactured dairy products into 1954, largely held by the government, will be equal to more than 8 billion pounds of milk compared to 5 billion last year. Use of milk in regular commercial channels and on farms probably will total around 115 billion pounds in 1954 as it has in recent years.

After fluctuating relatively little for several years, milk production expanded rapidly in late 1952, reaching a record annual rate of 123 billion pounds in the winter of 1952-53. The unusual fluctuation in milk production the past 15 months has resulted in very sharp changes in utilization. Last winter when milk flow was at a record annual rate, production of butter, and Cheddar cheese ran one-third or more above a year earlier. Production of nonfat dry milk was up by two-thirds. Sales to the Department under the support program in the marketing year ended March 31, 1953, totaled 143 million pounds of butter, 75 million pounds of cheese and 210 million pounds of nonfat dry milk. These purchases were equivalent to 3 percent of milk output. Purchases in the first half of the current marketing year have been 217 million pounds of butter, 200 million pounds of cheese and 355 million pounds of nonfat dry milk. Purchases are declining, but quantities bought in the first half of this marketing year are equivalent to around 5 percent of probable milk output this year. However, sales of butter and cheese out of government stocks to private firms have started and may continue for a few months. Annual rates of butter and cheese output have declined more than 20 percent since last spring and in September about equaled the current rate of use.

In the past 12 months, retail prices for dairy products have declined only slightly while prices received by farmers for milk and butterfat have dropped 13 percent. As a result, the gross spread between farm and retail prices has widened substantially. Consumption of the individual dairy products did not change significantly from 1952 to 1953, despite larger consumer incomes and the slight price drop at retail; changes from 1953 to 1954 also are likely to be small.

In the coming year the ratio between dairy product prices and feed prices will be no higher than average. Dairy product prices may continue below average also in relation to beef and hog prices. Cash receipts from dairying may fall below 4 billion dollars in 1954 for the first time since 1950. Receipts for 1953 are estimated at 4.2 billion, compared with a record of 4.6 billion in 1952. Dairy costs may decline a little next year and net income from the dairy enterprise probably will be little different from 1953.

Output per man-hour and returns to labor in dairying both have lagged behind many other types of farming. However, new techniques that are rapidly being put into practice will permit dairy farming to make substantial gains. The adjustments include shifting to larger scale of operations as well as adoption of improved methods. Over the longer run these changes could permit an increase in incomes to labor and management on some farms even if consumer prices for dairy products declined somewhat.

EGGS AND POULTRY

The Nation's egg laying flock at the beginning of 1954 is likely to be about as large as in 1953. The number of potential layers on October 1, 1953, most of which will be carried over into 1954, was 1 percent above a year earlier. This indicates slightly larger egg production in prospect next spring. Consumer demand is likely to be close to 1953 levels. The egg output is likely to sell at prices slightly lower than in the spring of 1953. Past trends toward increased rates of lay in the fall and winter are likely to continue next year. Egg output in 1954 as a whole probably will exceed 1953, particularly if there is a large replacement hatch next spring.

Next spring's flock replacement is likely to exceed the 615 million chickens raised this year. Egg prices by the end of this year and through the spring may fall a little short of the high levels of 1953, and feed prices are expected to continue about the same as a year earlier. As a result the egg-feed price ratio next spring would be lower than this spring. However, egg production in the spring is likely to remain profitable. Under those circumstances, more chickens probably will be raised than the relatively low number in 1953.

Broiler production probably will show a small increase in 1954, and prices in 1954 are likely to average close to this year's level. On the basis of weekly placement reports from specialized areas, it seems that 5 to 7 percent more broilers will be raised in 1953 than in 1952. Demand for broilers in 1953 has been steady at prices somewhat below the 1952 average, but at the lower level there seems to be a continued steady demand for the birds.

The turkey outlook for 1954 will become clearer after the bulk of the 1953 turkey crop is marketed. Prices so far this season have averaged about the same as a year earlier, although prices for particular classes are different from a year ago. Recent (mid-October) price trends in most markets have been slightly upward. Current turkey marketings are smaller than a year ago.

Poultrymen are having a good year in 1953, and the background from which they enter 1954 is one of high production and generally favorable price relationships. Production of eggs and of broilers for 1953 are likely to be new records, egg prices are likely to average the third highest on record and broilers almost as high as any year since 1948, while feed prices have been 5 to 12 percent below the monthly averages of the year before.

For eggs and chicken meat, there are no prospective production changes to suggest that the supply pattern in 1954 will differ markedly from that of 1953. The seasonal distribution of supplies is likely to be similar to 1953, and the increase in population will offset a large part of the production increase. Therefore, if any major changes in prices occur, they will be due to shifts in demand.

The demand outlook for the next year is fairly good. Even if some easing occurs in the economy, consumers incomes after taxes in 1954 will not be much different from 1953. The U. S. population is increasing by about $1\frac{1}{2}$ percent per year, resulting in an almost proportionate gain in the national appetite for eggs and poultry meat.

With demand likely to be almost the same as this year, 1954 could be another good year for poultrymen. The chief difference from 1953 may be a slightly lower springtime egg price.

Contrary to the expectations for reasonably stable supplies of eggs and chickens, there is considerable uncertainty about the size of the 1954 turkey crop. This will be importantly affected by prices received for this year's birds, some of which will not be sold for several months yet.

In any event, the 1953 total of gross income from eggs and poultry--presently indicated at 4.0 billion dollars--is likely to be about the same in 1954, under the anticipated conditions of demand.

FATS, OILS AND OILSEEDS

Domestic use and exports of food fats in 1953-54 probably will be greater than the year before, and probably will exceed the prospective output of about 8.8 billion pounds. Hence some decline in stocks is likely. Supplies of food fats and oils in the marketing year beginning October 1, 1953 will be at a peak of 10.4 billion pounds with record beginning stocks more than offsetting a considerable drop in production. However, commercial stocks on October 1 were comparatively small because CCC holdings of cottonseed oil and butter comprised about 70 percent of total stocks. CCC announced September 1, 1953 that its minimum sale price for domestic use through June 30, 1954 is the market price but not less than 14 cents per pound, crude basis. This is about one half cent above the current market level. However, this is not a commitment to sell at this price. Sales by CCC for exports are on a bid basis. Prices of food fats through next spring are likely to be well maintained. Prices next summer will depend on new crop support programs, the outlook for domestic and foreign demand in 1954-55, and to some extent on 1954 crop prospects.

Supplies of most nonfood fats will be more than adequate to meet all needs. Prices of inedible tallow and greases are likely to remain comparatively low. Exports of tallow and greases were at a record level in the past year and with large supplies and low prices probable in 1953-54, exports again should be large.

Production of soybeans in 1953, based upon reports as of October 1, is expected to total 259 million bushels, 32 million less than last year. Drought late in the season reduced yields considerably, more than offsetting the record acreage harvested for beans. Present prices to farmers are near the support of \$2.56 per bushel. A seasonal increase in prices is expected.

Output of cottonseed this year will total about 6,376 thousand tons, up 200 thousand from last year. Prices received by farmers probably will average slightly above the support level of \$50.50 per ton to farmers (\$54.50 gin basis), but down considerably from last year's average of \$69.60 per ton. Prices of cottonseed meal are well below last year.

Production of 1953 crop flaxseed is estimated at 39 million bushels, 8 million more than the year before. A sharp increase in acreage more than offset a moderate drop in yield. Total disappearance of flaxseed and linseed oil will be less than production and ending stocks will increase. This will reverse the downward trend in stocks which has taken place in the last two or three years. The season average price received by farmers for 1953 crop flaxseed probably will be less than last year's average of \$3.71 per bushel. It was announced October 20, that 1954 crop flaxseed will be supported at \$3.14 per bushel, farm basis, 70 percent of parity.

The 1953 peanut crop is estimated at 1.4 billion pounds, somewhat more than last year and about 75 million pounds above the 1953 crop marketing quota used in determining acreage allotments for the 1953 crop. The increase over the quota reflects a higher than average yield. Production will be in excess of edible and farm uses and most of the excess will be acquired by CCC. Production of peanut oil, including the oil equivalent of exported nuts, will be greater than last year, mainly because of sales of CCC peanuts for crushing and highly damaged nuts in the Southeast. As in most years, prices will be near the support level, which for the 1953 crop is 11.88 cents per pound (national average price.)

Supplies of fats and oils again will be large in 1954-55. Stocks on October 1, 1954, the beginning of the crop year, are expected to be only moderately below the present record level. Production of food fats will be high. Although output of cottonseed oil would be sharply cut, if farmers approve marketing quotas on 1954 crop cotton, production of lard and soybean oil will be greater. The favorable hog-corn ratio is expected to be reflected in larger pig crops in 1954. Acreage restrictions on corn and cotton in 1954 would release land for other uses, including soybeans. The 1953 flaxseed crop is bigger than estimated requirements. With some increases in flaxseed plantings likely in 1954 to utilize land released by acreage allotments on wheat, output of flaxseed in 1954-55 probably will be substantially larger than requirements. Large supplies of tallow and greases will be available. Cattle slaughter is expected to be maintained at a high level and hog slaughter will increase.

CORN AND OTHER FEED

Feed grain prices are substantially lower at the beginning of the 1953-54 feeding season than a year earlier, and probably will continue somewhat lower this fall and winter. In contrast with the generally declining prices in 1952-53, however, some strengthening of feed prices from the low point reached this fall may be expected later in the season.

Corn prices declined in early October as farmers began harvesting the 1953 crop, and they will be well below the 1953 support level of \$1.60 per bushel this fall. Substantial quantities of 1953 corn probably will be placed under price support. This may result in some tightening of the corn supply situation and seasonally advancing corn prices later in the marketing year. Prices of the other feed grains and a number of the by-product feeds may also advance later in the feeding season from the currently low levels.

Price supports for 1954 crops of oats, barley and sorghum grains will continue at 85 percent of parity. The national average support price for oats is 75 cents per bushel, barley \$1.15 per bushel, and sorghum grains \$2.28 per hundred pounds. These supports are somewhat below those for the 1953 crops reflecting a lower parity index and the transition to the modernized parity formula.

Supplies of feed concentrates for the 1953-54 season, including the grains and byproduct feeds, are estimated at about 172 million tons, 3 million tons larger than in 1952-53 and 10 million tons above the 1946-50 average. The supply per grain-consuming animal unit is only slightly below the record level for the 3 seasons beginning 1948. Assuming an average rate of feeding per animal unit in 1953-54, the total consumption of these feeds by livestock would be slightly larger than the 124 million tons consumed in 1952-53. The total supply, however, appears to be adequate to meet the 1953-54 requirements and leave a near-record carryover into 1954-55. Corn acreage allotments in 1954 would result in some reduction in corn acreage in the commercial area. However, larger acreages of other feed crops are in prospect as a result of acreage restrictions on wheat, corn, and cotton. With a larger carryover in prospect, average or above average feed concentrate supplies appear likely again in 1954-55.

The corn supply for 1953-54 of about 4.0 billion bushels is only slightly smaller than the record supply in 1949-50. The record large supply of corn in the Corn Belt accounts for all the increase in feed concentrate supplies from last year or from the 1946-50 average. The total supply of each of the other feed grains is below average.

Supplies of byproduct feeds in 1953-54 probably will be close to the large supplies of over 22 million tons in each of the past 2 years. Protein feed supplies are expected to be little below the big supply in 1952-53. Prices of high-protein feeds are expected to remain somewhat lower than a year earlier this fall and winter, but they may advance later in the feeding season, especially if hog and poultry production increases early in 1954.

The total hay supply for 1953-54 is slightly larger than the supply last year, but is below the 1946-50 average in relation to the prospective number of hay-consuming livestock to be fed. Hay supplies are generally adequate throughout most of the Northern and Western sections of the country. But in Missouri and Kansas and throughout large areas of the South, drought has again sharply reduced production and supplies are short.

WHEAT

A smaller wheat acreage in 1954 than in most recent years is in prospect as a result of marketing quotas. If the acreage seeded approximates the national allotment of 62 million acres and if yields equal the 1943-52 average, 950 million bushels would be produced next year. Output this year was estimated on October 1 at 1,163 million bushels and the 10-year average is 1,089 million. It should be emphasized that the 950 million-bushel figure is not a forecast of production in 1954. But a crop of this size would about meet anticipated domestic and export needs for 1954-55, and leave a carryover about as large as the 775 million bushels expected in July 1954.

The national average price support for the 1954 crop was announced on October 8 at not less than \$2.20 a bushel. This minimum support price is 90 percent of the August 15, 1953 wheat parity price of \$2.45. Support for 1953 crop wheat, now eligible for loan and purchase agreement, is a national average of \$2.21 a bushel. If the wheat parity price as of July 1, 1954 (the beginning of the marketing year for the 1954 crop) is higher, the support level will be increased to reflect 90 percent of the wheat parity price at that time. In no event will the support be lower than the announced \$2.20 national average. To be eligible for wheat price support in 1954, a producer must (1) be in compliance with his 1954 wheat acreage allotment and all other 1954 allotments which have been or will be established for basic commodities in which he has an interest on the farm, (2) obtain wheat marketing cards for all farms in the county on which he has an interest in the wheat crop.

Total wheat supplies for the marketing year which began July 1, 1953 are now estimated at about 1,727 million bushels, consisting of a July 1, 1953 carryover of old wheat of about 559 million and a crop estimated as of October 1 at 1,163 million and imports of about 5 million bushels of feeding quality wheat. This would be the largest supply on record, 8 percent above the previous peak of 1,601 million bushels in 1942-43 and 10 percent above the 1,568 million bushels of 1952-53. Domestic disappearance for 1953-54 is estimated at about 700 million bushels, slightly more than the 692 million of 1952-53. If exports total about 250 million, about 775 million would be left for carryover on July 1, 1954. This would be 23 percent above the record of 631 million in 1942, and 39 percent above the 559 million for July 1, 1953. Of the 559 million-bushel carryover on July 1, 1953, the CCC owned 470 million bushels. Up to September 15, farmers had placed 239 million bushels of 1953 wheat under the support programs compared with 262 million a year earlier, and 460 million for the 1952-53 season as a whole.

Cash winter wheat prices on October 20 were about 19 cents above the level on August 10, preceding the referendum vote. Prices of spring wheat reached a low point on August 19, and by October 20 had advanced about 28 cents.

On October 20 the price of No. 2 Hard Winter Wheat at Kansas City, ordinary protein, was \$2.25, 15 cents under the effective loan rate after allowing for storage charges of 9 cents per bushel. At the same time, the price of No. 2 Soft Red Winter at St. Louis, reflecting very large supplies of this class of wheat, was \$1.98 or 46 cents below the effective loan. The price of No. 1 Dark Northern Spring, ordinary protein, at Minneapolis was \$2.25, 10 cents below the effective loan. Some strong protein hard winter and spring wheats are moderately above the net loan after charges. The price of No. 2 Hard Amber Durum at Minneapolis on October 20 was \$3.72, reflecting a very short supply of this class of wheat. This market price was \$1.20 above the effective loan.

The strengthening of prices reflects large quantities being withheld by growers and heavy mill buying. The market has also received strength from critically dry weather over the Southwest winter wheat belt which has impeded planting and been unfavorable to early seeded fields.

RICE

The 1953 rice crop of 3,350 million pounds (milled equivalent excluding brewers) sets a new record in size, exceeding the previous record set last year by about 5 percent and the average of the 1942-50 crops by over 14 percent. Civilian consumption of rice per capita in 1953-54 is expected to continue close to last year's rate, and exports will again be large. The current world market situation is such that the foreign demand for United States rice may be large enough to prevent carryover stocks at the end of the 1953-54 marketing year from being much different than those at the beginning of the year. Rice prices received by growers have advanced from early season levels in September so that they are currently somewhat above loan levels.

FRUIT

With little change in demand for fruit expected in 1954, weather and yields are likely to determine the direction of price changes. With average weather, the 1954 deciduous crop probably will be moderately larger than the relatively small 1953 crop, and some further increase in production of citrus fruits seems probable. But production of tree nuts may be under the near-record 1953 tonnage.

The outlook for total exports of fruits in 1954 is not greatly different from 1953. Although the dollar exchange situation has improved in some Western European countries, dollars for the importation of United States fruit continue limited. However, with larger production of winter varieties of pears in the United States and a smaller crop in Europe, some increase in exports seems probable in the 1953-54 season. Exports of fresh and processed citrus, much of which goes to Canada, may increase further in 1954. But exports of raisins from the reduced 1953 pack probably will be smaller than the large 1952-53 volume. Export-payment programs are currently in operation for pears and raisins in the 1953-54 season.

Imports of bananas in 1954 probably will not change much from 1953. Among fresh fruits, consumption of bananas is exceeded only by that of apples and oranges. Imports of apples in 1953-54, mostly from Canada, may not greatly exceed the 1952-53 volume. Some increase seems likely in receipts of canned pineapple and pineapple juice from Hawaii in 1953-54.

The 1953 deciduous crop is slightly smaller than the below-average 1952 crop and the smallest since 1948. Most of the reduction from 1952 was the result of a 13 percent decrease in the grape crop, which usually comprises from one-fourth to one-third of the deciduous tonnage. Among other fruits that also will be marketed fresh this fall and winter, production of apples, winter pears, and cranberries is larger than in 1952, the latter setting a new record. Grower prices for apples and grapes this fall probably will continue higher than a year earlier. Amount and quality of year-end stocks of apples will largely determine the course of apple prices in the first half of 1954. Prices for pears and cranberries are expected to average lower this fall and winter than a year earlier.

Total production of citrus is expected to be larger in 1953-54 than in 1952-53, with most of the increase in grapefruit. Prospective production of grapefruit (excluding the California summer crop) is about 17 percent larger than in 1952-53, and that of early and midseason oranges is nearly 2 percent larger. Prospects for Valencias are better in Florida and less favorable in California than a year ago. With carryover stocks of canned and frozen citrus juices much smaller than a year ago, demand for citrus for processing is expected to be strong again this fall and winter. Partly for this reason, grower prices for oranges probably will be about as high as last fall and winter. But those of grapefruit are expected to be somewhat lower.

The 1953-54 pack of dried fruits is expected to be moderately smaller than the relatively small 1952-53 pack. Decreased output of raisins will more than offset small increases in dried prunes, apricots and perhaps a few other fruits. A small increase in pack of canned fruits seems likely, and a moderate increase in pack of frozen fruits and fruit juices will occur in 1953. Output of frozen strawberries and citrus juice will set new records in 1953. The pack of canned juices in 1953 probably will be moderately smaller than in 1952. But increased production of these juices can be expected in 1954.

Production of almonds, filberts, pecans, and walnuts in 1953 is expected to be slightly smaller than the record 1952 crop. The prospective pecan crop is record large and the almond crop is moderately larger than in 1952. But the filbert and walnut crops are smaller.

COMMERCIAL VEGETABLES

For Fresh Market

Consumer demand for fresh vegetables in 1954 is expected to be about as strong as in 1953. However, some marketing difficulties may arise if overplanting occurs, or if weather distorts the usual pattern of marketing or results in bumper crops.

Vegetable growers generally have adjusted total production from year to year in line with their expectations of demand. Consequently, in general there is no opportunity for immediate expansion in production of vegetables in 1954 to provide an outlet for acreage that may be diverted from other crops. If any substantial acreage shift to vegetables occurs, marketing difficulties may be expected.

Through the first 3 quarters of 1953, commercial production of fresh vegetables was in general slightly larger than a year earlier, primarily because of increased acreages. Prices received by farmers were lower for those crops in larger supply, but were generally higher for the vegetables in smaller supply. A sharp contra-seasonal rise in fresh vegetable prices occurred in June in response to a temporary slackening in market supplies caused by adverse weather which retarded growth in certain producing areas. Prices subsequently declined as many vegetables came on the market in large volume.

In the last quarter of 1953, total fresh vegetable supplies are expected to be near those of a year earlier, and the general level of prices received by growers therefore probably will not be much different from a year earlier.

A large supply of late-summer crop dry onions and an ample supply of early fall cabbage are indicated as available for storage and sale through the winter just ahead. Prices are expected to continue relatively low through most of this period, but the large supply of early fall cabbage may be partly offset by a smaller acreage intended for winter harvest. Heavy rains in Florida in early fall may cause a marketing gap in December for one or more vegetables and a temporary price rise for a few weeks.

For Commercial Processing

Consumer demand for commercially canned and frozen vegetables in 1954 probably will be about as strong as in 1953. Current indications of production for commercial processing this year imply that the 1953 packs together with carryover stocks from earlier packs will in general provide adequate supplies.

Total stocks of frozen vegetables in commercial cold storage on October 1 were record high for the date and are increasing more than seasonally. This implies a 1953 pack at least as large as the record 1952 pack of nearly 896 million pounds. Compared with a year earlier, stocks this October 1 were smaller only for frozen Brussel Sprouts. On the other hand, stocks were relatively much larger than a year ago for frozen broccoli, cauliflower, green peas and spinach.

POTATOES AND SWEETPOTATOES

Production in the Late States is 10.7 million bushels larger than in 1952, an increase of 4 percent. Potatoes from Western Late States probably will show a stronger tendency price-wise than potatoes from Eastern Late States, since most of the increase in crop occurred in the latter area, particularly in Maine.

Prices farmers receive for the 1953 crop probably will influence some farmers to reduce potato acreage in 1954. With average weather, however, yields per acre may be higher.

The storage stocks of potatoes next January 1 are expected to be larger than those of a year earlier. Unless the early commercial potato crop in 1954 is considerably smaller than in 1953, prices of both new and old crop potatoes in early 1954 may be as low as the depressed prices in the spring of this year.

The larger sweetpotato crop this year will be marketed during the winter and next spring at prices well below the high levels of a year earlier. The crop this year is estimated at 33.7 million bushels, 19 percent larger than the relatively small 1952 crop, and prices received by farmers in September averaged 21 percent below September 1952.

DRY BEANS AND PEAS

Although the 1953 crop is 3 percent larger than the 1952 crop, total supplies available for this marketing year are smaller because estimated carryover stocks of 1952 or older crop beans are much smaller than a year earlier. Domestic takings of beans in 1953-54 probably will continue at about the rate of a year earlier. However, foreign takings are expected to decline because of limited supplies and higher export prices.

Continued firm demand for dry peas probably will sustain prices received by farmers for the 1953 crop at levels only moderately lower than those received for the 1952 crop. The 1953 crop of 3.3 million cwt. (uncleaned) is 28 percent larger than the small 1952 crop, but much smaller than the 1942-51 average of 6.0 million cwt. Some building up of commercial stocks of peas--now at minimum or nominal levels--may occur in this crop marketing year.

COTTON

The supply of cotton in the United States for the 1953-54 marketing year is estimated at about 21.0 million running bales. This includes estimated production, the beginning carryover, and imports. Production in 1953 is larger than the quantity likely to be used in, and exported from, the United States and the carryover next August 1 is expected to be at the highest level of the postwar period.

The 1953-54 supply includes 20.7 million bales of upland cotton and 0.3 million bales of extra long staple. The supply of Upland is 25 percent above the normal supply while the supply of extra-long staple is 98 percent above normal. Normal supply is defined by law as 130 percent of domestic consumption plus exports. Because the supply of upland cotton exceeds the normal supply and that of extra-long staple cotton is more than 8 percent above normal supply, the Secretary of Agriculture has proclaimed marketing quotas for the 1954 cotton crop. Supplies of both types exceed normal supplies by such a margin that minimum marketing quotas of 10 million bales for Upland and 30 thousand bales for extra-long staple are mandatory. The acreage allotments for both types total almost 18 million acres compared with 24.6 million acres in cultivation on July 1, 1953.

Before the quotas will become effective, they must be approved by two-thirds of the cotton growers voting in the national referendums. The referendums will be held on December 15, 1953 for upland and extra-long staple.

If growers approve the marketing quotas, the support price for the 1954 crop of both types will remain at 90 percent of the respective parity prices. Rejection of either of the quotas, on the other hand, would mean a support price for the rejected type at 50 percent of the applicable parity price to cooperators. It should be emphasized that the outcome of the referendums will not affect support prices for the 1953 crop which have been set at a national average of 32.70 cents per pound for Middling, 15/16 inch Upland cotton and 73.92 cents per pound for extra-long staple cotton.

Production of 10 million bales as called for by marketing quotas on the 1954 crop would be more than a third less than the 1953 crop of 15.4 million running bales. Even if quotas are approved and the support price remains at 90 percent of parity, such a sharp reduction in the cotton crop will most likely mean smaller cash receipts from the sale of cotton in the 1954-55 crop year than in the current season.

In announcing the marketing quotas on October 9, the Secretary of Agriculture stated, "Many members of Congress have expressed concern over the present situation and probably will press for revisions to the present Act when the Congress returns after the first of the year."

Domestic mill consumption of cotton in 1953-54 is expected to be between 9 and 9.5 million bales compared with the 9.5 million bales consumed in 1952-53. Exports are expected to increase from the 3.0 million bales of 1952-53 to about 3.3 million bales.

Exports of cotton yarn and fabric are expected to be smaller during the current season than they were in 1952-53. Deliveries to and purchases made by, the military forces of cotton textiles will probably be smaller, and the consumption of synthetic fibers may hit a record high of about 1.6 billion pounds in 1953. These factors indicate a decline in domestic mill consumption of cotton in 1953-54.

Foreign producing countries in the free world are starting the 1953-54 marketing year with relatively large stocks of cotton. These stocks will probably be sharply reduced by August 1, 1954. However, production of cotton abroad will probably decline more than 0.8 million bales from the level of 13.7 million bales of 1952-53. Foreign free world consumption is expected to be maintained at the high level of about 16.5 million bales. The net result of these forces will probably be a small increase in U. S. exports of cotton.

Loans and grants from the U. S. Government to foreign countries will probably finance the purchase of about 1.5 million bales of cotton in 1953-54, compared with about 1.2 million in 1952-53. These funds totaled about 221 million dollars last season and are expected to be somewhat larger during the current marketing year.

The carryover of cotton in the United States on August 1, 1954 is estimated at about 8.4 million bales. This will be almost 3 million bales larger than that of a year earlier and will be the largest carryover since August 1, 1945.

The 1953 cotton crop, as estimated on October 1 was about 0.4 million running bales above the 1952 crop. Although the acreage in cultivation on July 1, 1953 was 8.6 percent smaller than a year earlier, the indicated yield per harvested acre of 315.4 pounds is the highest on record. The previous record was 311.3 pounds per acre in 1948-49.

Of the 5.5 million bales in the carryover on August 1, 1953, about 2 million bales were held by the Commodity Credit Corporation. By August 1, 1954 CCC holdings are expected to increase to about 5 million bales. Entries into the Commodity Credit Corporation loan from the 1953 crop through October 9 were nearly 1 million bales compared to 21 thousand from the 1952 crop at about the same date a year earlier. The more rapid entry into the 1953 crop loan was probably caused by the fact that market prices were near and in many cases even below loan levels while a year earlier prices were considerably above the loan.

The average 10 spot market prices for Middling, 15/16 inch cotton in August and September were lower than the average loan rate for the same quality cotton at these markets. The average loan rate at the 10 spot markets is 32.99 cents a pound and the average price in August and September was 32.98 and 32.81 cents per pound respectively. During October prices continued at about the same level and on October 20 the average price was 32.66 cents per pound.

WOOL

World supply of wool for the 1953-54 season is expected to be about the same as for 1952-53. A slight increase in production is expected, but stocks are lower. Although total stocks in the major consuming countries, including CCC holdings in the U. S. and the strategic stockpile in the United Kingdom, are up, the increase is somewhat less than the reduction in holdings of unsold wool in the Southern Hemisphere exporting countries.

Domestic production probably will be lower next year. The rate of sheep and lamb slaughter this year suggests a small reduction in the number of stock sheep and shorn wool production next year. If sheep and lamb slaughter declines next year as now appears likely, production of pulled wool also would be reduced.

World consumption of wool during the first half of this year is estimated to have been about one-fifth over a year earlier. For 1952 as a whole, consumption was slightly above that of the previous year. After the rate of consumption reached a post-World War II low in the third quarter of 1951, it increased for 7 successive quarters.

Mill use of apparel wool in the United States during the first half of this year was about one-fifth above a year earlier, but the total for the year probably will show a smaller increase. If economic activity and consumer purchasing power continue at about present levels and if there is no great change in defense requirements, mill consumption next year probably will be nearly the same as this year. Indications are that inventories of wool goods in manufacturing and distribution channels are in about their normal relation to retail sales.

Prices of wool in Australia since the opening of the current selling season have fluctuated near the closing prices of last June and have been slightly above those of a year earlier. Quotations at Boston for domestic wools early in October were well above a year earlier. Quotations for most fine, half, and three-eighths blood wools were above loan rates while those for most quarter blood and lower wools were at or slightly below loan rates.

Prices received by domestic growers for shorn wool during the first 6 months of the current marketing season averaged slightly above last year. The mid-month averages for the first 4 months were above the national average price support loan rate, but for August and September were just below. The average for the season probably will be slightly above both last year and the national average loan rate.

In the absence of any change in the international situation, wool prices generally probably will be relatively stable until the end of the current selling season in Australia next June. The average of prices received by domestic producers for the 1954 clip probably will not be greatly different from this year.

TOBACCO

Domestic use of flue-cured and Burley in 1952-53 is above any previous year and may be larger in 1953-54. These types and also Maryland tobacco are used principally in cigarettes. The 1953 cigarette output is expected to total close to 438 billion and a further increase in the proportion of extra length or "king size" is expected. A firm demand for cigarette tobacco is likely in

In the 1953-54 marketing year, tobacco exports seem likely to be about as large as or perhaps a little larger than the 1952-53 estimate of 500 million pounds (farm-sales weight). Cigarette consumption continues to increase in some foreign countries and stocks of United States tobacco in several countries are low relative to consumption. Gold and dollar holdings of several important importing countries have increased substantially in the past 1½ years, thus placing them in a better position to buy commodities needed from the dollar areas.

The 1953-54 supply of flue-cured is a little lower than the 1952-53 level because of the reduced 1953 crop. Harvested acreage is smaller and the long period of dry weather reduced average yields per acre in some areas. However, the 7 percent larger carryover than last year prevented much drop in the total supply. Demand for flue-cured tobacco has been strong and through October 16, the average price received was 55 cents per pound compared with 51 cents in the comparable period of last season. The support level for the 1953 crop is 47.9 cents per pound.

The 1953-54 Burley supply is estimated as being a little above the 1952-53 level. The increase in carryover more than offsets the indicated drop in this year's crop from last year's record. Most Burley is used in cigarettes but smoking tobacco also absorbs a sizable quantity. It is estimated that this year's output of smoking tobacco will be about 92 million pounds--5 percent lower than in 1952. Auctions for Burley usually begin around December 1. The support level for the 1953 Burley crop is 46.6 cents per pound.

The 1954 supply of Maryland tobacco will be larger than in 1953. The 1953 crop is indicated to be down a little but carryover will be larger. The 1953 crop will go to auction next spring and summer. The price support level is 50.4 cents per pound. Maryland growers will vote this fall to decide on whether a marketing quota is to be in effect on their 1954 crop.

The total supply of fire-cured and dark air-cured tobacco probably will be smaller in 1953-54 than in 1952-53. Auctions for some of these types begin in late November and for others, in early January. The 1953 crop support levels are 35.0 cents per pound for fire-cured, and 31.1 cents for dark air-cured tobacco, approximately 5 percent lower than last season. The principal domestic outlet for fire-cured is snuff and for dark air-cured, chewing tobacco. Output of these products in 1953 is down a little from 1952. Chewing tobacco consumption is expected to continue its downward trend. Exports of fire-cured tobacco are moderately above last year's post-war low but exports of dark air-cured continued to decline.

The 1953-54 supply of continental cigar filler will be the smallest in 6 or 7 years as the consequence of 2 relatively small crops in succession. The 1953-54 supply of binder types also will be the smallest for several years. Government price supports are in effect for 1953 crops of all filler and binder types except the Pennsylvania filler type 41. This fall, growers of the continental filler and binder types will vote on quotas for their 1954 crops. If quotas are favored by a two-thirds vote, they remain in effect and Government price support on the 1954 crop becomes mandatory at 90 percent of parity. Cigar consumption has gained during the last 3 years and is estimated at about 6,150 million in 1953. It seems likely that cigar consumption will be at about the same level in 1954.

FOREST PRODUCTS

Demand for lumber, the principal forest product cut in the United States, may decline somewhat in 1954, largely as the result of an anticipated shading off in residential construction and other building activity. Demand for pulpwood, on the other hand, is expected to increase somewhat in 1954. Stronger rosin and turpentine prices are anticipated during the remainder of the crop year ending next April 1 as a result of increased domestic and foreign demand and reduced domestic and foreign output. Because further declines in domestic gum production are anticipated in 1954-55, this trend may continue into the next crop year. Markets for other products, such as veneer and peeler logs, mine timbers, poles, piling, etc., are not expected to change appreciably from 1953 levels.

Lumber

Lumber production during 1953 is estimated at 38 billion board feet or about the same as the peak level which has been maintained during the past three years. The West accounts for about 50 percent of the current production of lumber, the South 35 percent, and the North 15 percent. In 1954 demand for lumber and lumber production are expected to fall slightly below 1953 levels, primarily because of an expected moderate decline in residential and other construction activity over the coming year. Lumber imports amounting to 2.8 billion board feet in 1953, and lumber exports amounting to 0.5 billion board feet in 1953, are not expected to change materially in 1954.

Lumber prices have declined slightly during the past two years and in August 1953 were about 5.7 percent below the all-time peak reached in 1951. Some further decline in lumber prices is expected in 1954. There are no indications so far, however, of an accompanying decline in stumpage and log prices which paralleled the rapid increase in lumber prices during the past decade.

Production of veneer logs and bolts during 1953, estimated at about 2.7 billion board feet, has been somewhat higher than in prior years, largely reflecting increased use of softwood plywood in construction. Some decline in production and prices of these relatively high-value products are expected in 1954, largely as a result of the anticipated easing in construction activity.

Pulpwood

Pulpwood production in 1953 is estimated at 26 million cords--about 4 percent higher than the previous peak year in 1951 and 70 percent higher than output at the end of World War II. The South currently accounts for about half the total production of pulpwood, the North for 30 percent, and the West for the remaining 20 percent. Pine and other preferred softwoods comprise more than 85 percent of the total pulpwood production. Markets for hardwood pulpwood have steadily expanded, however, and in the near future will probably show increased strength.

The new peak in pulpwood production achieved in 1953 marks a continuation of a period of extremely rapid growth in the pulp and paper industry. Since 1946, capacity of the United States woodpulp industry has increased from 12.1 to nearly 21 million tons, or a rise of about 73 percent. Expansion of plant capacity and pulpwood consumption has been particularly rapid in the South where more than half of the woodpulp industry is now located. Except in the West, the industry depends largely upon pulpwood from small forest holdings; in the South, for example, about 70 percent of the pulpwood production is obtained from farm forests and other small ownerships.

Some further increase in pulpwood demand is expected in 1954 in response to a further rise in market demands for paper and paper products, and the pressure to operate new plant facilities that are steadily coming into production. Much of this anticipated increase in pulpwood demand will likely occur in the South. Pulpwood prices have advanced steadily during the past decade or so, and in the past year have reached new peak levels. In spite of possibly greater demand for pulpwood in 1954, no changes in pulpwood prices are expected.

Gum Naval Stores

The naval stores market situation traditionally is one of extremes. Thus, during the summer of 1950, the situation shifted dramatically from one of ample supplies and lagging requirements and prices to panic buying which, before the year expired, doubled turpentine and rosin prices and, except for a modest volume withheld for emergency use, virtually depleted CCC stocks. The buying spree, in turn, ended abruptly late in 1951 following accumulation of substantial commercial inventories both here and abroad.

In order to maintain crude gum prices at 90 percent of parity, a net volume of nearly 284,000 drums of rosin (44 percent of the gum crop) and about 33,000 barrels of turpentine (15 percent of gum output) was pledged under the 1952 program. Through September 1953 a volume of about 100,000 drums of rosin (25 percent of estimated gum production during the calendar year) and nearly 29,000 barrels of turpentine (20 percent of the estimated crop) had been pledged under the 1953 loan program.

By mid-August however, domestic and foreign developments had combined to strengthen the market situation. First, gum naval stores production has declined 18 percent from the year before and 43 percent since 1949-50. Combined gum and wood turpentine output is down 9 percent from 1952-53 while production of all types of rosin is 2 percent lower. Domestic production of turpentine and rosin accounts for over 50 percent of the world's output of these commodities.

Second, foreign production, particularly in Portugal and France, has declined precipitantly. This development along with the exhaustion of stocks accumulated abroad following the Korean outbreak, made it necessary for countries such as the United Kingdom, Germany, Italy, Netherlands, and Belgium (which since World War II have primarily depended upon European naval stores output) to meet their naval stores needs, in large part, from the U. S.; this may continue well into next year. Consequently, U. S. exports of rosin (which through July 1953 reached an all time low) may, by virtue of greatly accelerated exports beginning in September, exceed last year's total of 357,000 drums. Although turpentine is in a less favorable position, here, too, exports after a slow start may equal those of last year.

Third, based on performance to date, domestic consumption of rosin during the crop year ending next April 1, is expected to be at least 10 percent higher than the 1,228,000 drums consumed last year.

Fourth, commercial stocks of rosin and turpentine are insignificant. Based on total disappearance for the 5-year period 1948-52, CCC reserve holdings of rosin and turpentine constitute a 4 months' and one month's supply, respectively. The total carryovers on April 1, 1954 of both rosin and turpentine is not expected to exceed that of the previous year.

Higher price levels are expected for both rosin and turpentine through the remainder of the crop year; an anticipated further decline in domestic output in 1954-55 betokens a continuance of the upward trend into the next crop year.

If strengthened demand continues, virtually all of the pale grades of rosin and much of the turpentine collateral placed in the 1953 loan will be redeemed. It is probable that sales may be made out of CCC reserve holdings of rosin acquired under prior programs.

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